

Insert Logo for Participating
UN Organisation(s)



UNITED NATIONS
SUSTAINABLE
DEVELOPMENT
GROUP



Empowered lives.
Resilient nations.

**Joint SDG Fund
MPTF OFFICE FINAL PROGRAMME¹ NARRATIVE REPORT
REPORTING PERIOD: FROM Jan 2020 to Dec 2023**

Programme Title & Project Number	Country, Locality(s), Priority Area(s) / Strategic Results ²
<p>Programme Title: Sustainable Communities: Eco-Innovative, gender-responsive economic growth strategies for Iraq</p> <ul style="list-style-type: none"> • Programme Number (if applicable): FC2 2020 • MPTF Office Project Reference Number:³ 	<p>(if applicable) Country/Region Iraq, Middle East and North Africa</p> <hr/> <p>Priority area/ strategic results</p> <p>Outcome 1: Improved access to finance for MSMEs, especially women and youth-led agribusinesses, agro-industry & sustainable value chains and support services in underserved areas, through guarantees, information and capacity strengthening of local ecosystems</p> <p>Output 1.1: Enhanced access to finance and investment for MSMEs agri-business enterprises and strengthening enabling conditions for sustainable agricultural value chains</p> <p>Output 1.2: Facilitation of gender responsive financial market engagement with credit-worthy entrepreneurs</p> <p>Outcome 2: Improved access to and use of renewable energy and water among agricultural MSMEs and selected value-chains through credit guarantee schemes, and grants to microfinance facility and other innovative finance mechanisms</p> <p>Output 2.1: Expansion of access to and use of renewable energy sources</p> <p>Output 2.2: Development of a localized pilot model to roll out a transformative solution to catalyze and integrate financing to promote water security</p>
Participating Organization(s)	Implementing Partners
<ul style="list-style-type: none"> • Organizations that have received direct funding from the MPTF Office under this programme <ul style="list-style-type: none"> - Convening agency: UNDP (received direct funding from the MPTF Office under this programme) - Other PUNO: UNICEF, FAO, IOM 	<ul style="list-style-type: none"> • National counterparts (government, private, NGOs & others) and other International Organizations <ul style="list-style-type: none"> - National authorities: <ul style="list-style-type: none"> ▪ Ministry of Planning ▪ Ministry of Finance ▪ Ministry of Agriculture ▪ Ministry of Water Resources

¹ The term “programme” is used for programmes, joint programmes and projects.

² Strategic Results, as formulated in the Strategic UN Planning Framework (e.g. UNDAF) or project document;

³ The MPTF Office Project Reference Number is the same number as the one on the Notification message. It is also referred to as “Project ID” on the project’s factsheet page on the [MPTF Office GATEWAY](#).

--

Programme/Project Cost (US\$)	
Total approved budget as per project document:	200,000
MPTF /JP Contribution ⁴ :	
• <i>by Agency (if applicable)</i>	
Agency Contribution	In-kind contribution
• <i>by Agency (if applicable)</i>	
Government Contribution <i>(if applicable)</i>	In-kind contribution
Other Contributions (donors) <i>(if applicable)</i>	N/A
TOTAL: 200,000	

Programme Assessment/Review/Mid-Term Eval.
Evaluation Completed (Not applicable)
<input type="checkbox"/> Yes <input type="checkbox"/> No Date: <i>dd.mm.yyyy</i>
Evaluation Report - Attached (Attached is the submitted proposal and final progress report submitted to SDG Fund)

- Ministry of Labour and Social Affairs
- Ministry of Health and Environment
- Women Empowerment Directorate
- Local agricultural departments in in selected geographic areas
 - Local water resource departments in in selected geographic areas
- Local governments in selected geographic areas
- Central Bank of Iraq
- Civil society organizations
- Private sector:
 - Iraqi Company for Bank Guarantees (ICBG)
 - League of Commercial Banks
- International Financial Institutions
 - International Finance Institutions (IFIs) & Development Finance Institutions (DFIs) active in Iraq (World Bank, IFC, Islamic Development Bank, OPIC, KFW)
- Other partners:
 - Business Centers (Baghdad Business Center, Iraq Private Sector Development Center)
 - Iraqi Federation of Chambers of Commerce
 - Iraqi accelerator lab
 - Five One Labs incubator

Programme Duration	
Overall Duration (<i>months</i>)	4 months
Start Date ⁵ (<i>dd.mm.yyyy</i>)	
Original End Date ⁶ (<i>dd.mm.yyyy</i>)	30/11/2020
Actual End date ⁷ (<i>dd.mm.yyyy</i>)	
Have agency(ies) operationally closed the Programme in its(their) system?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Expected Financial Closure date ⁸ :	April 10 th , 2021

Report Submitted By
<input type="checkbox"/> Name: Sundus Abass
<input type="checkbox"/> Title: SDGs Project Manager
<input type="checkbox"/> Participating Organization (Lead): UNDP
<input type="checkbox"/> Email address: Sundus.abass@undp.org

⁴ The MPTF/JP Contribution is the amount transferred to the Participating UN Organizations – see [MPTF Office GATEWAY](#)

⁵ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

⁶ As per approval of the original project document by the relevant decision-making body/Steering Committee.

⁷ If there has been an extension, then the revised, approved end date should be reflected here. If there has been no extension approved, then the current end date is the same as the original end date. The end date is the same as the operational closure date which is when all activities for which a Participating Organization is responsible under an approved MPTF / JP have been completed. As per the MOU, agencies are to notify the MPTF Office when a programme completes its operational activities. Please see [MPTF Office Closure Guidelines](#).

⁸ Financial Closure requires the return of unspent balances and submission of the [Certified Final Financial Statement and Report](#).

Yes No Date: *dd.mm.yyyy*

FINAL PROGRAMME REPORT FORMAT

EXECUTIVE SUMMARY

- In ½ to 1 page, summarise the most important achievements of Programme during the reporting period and key elements from your detailed report below. Highlight in the summary, the elements of the main report that you consider to be the most critical to be included in the MPTF Office Consolidated Annual Report.

I. Purpose

- Provide a brief introduction to the programme/ project (*one paragraph*).
A Credit Guarantee Scheme (“Scheme”) will be used to significantly expand access to financing for micro, small, and medium sized enterprises (MSMEs) in three peri-urban areas of Iraq – Abou Ghraib (Baghdad Province), Aziziya (Wasit Province), and Aqreh (Dohuk Province). The Scheme aims to catalyze lending to MSMEs by de-risking loans and decreasing collateral requirements. Loans will be offered by private commercial and Islamic banks to MSMEs involved in the agricultural value chains with a focus on renewable energy and efficient water usage. The Scheme will reduce the financial risks of lending to MSMEs and women owned MSMEs through the promotion of an innovative business model. The CGS will be self-sustaining through the imposition of a small guarantee fee to borrowers. Expanded access to finance will result in more financially viable and technically capable MSMEs while the application of an innovative business model will result in increased commercial capital flows in the target areas. Taken together, these interventions will directly lead to at least 600 new loans, increased confidence and capability of commercial banks with regards to working with MSMEs, and create 1,200 jobs.
- Provide the main objectives and expected outcomes of the programme in relation to the appropriate **Strategic UN Planning Framework (e.g. UNDAF) and project document (if applicable) or Annual Work Plans (AWPs) over the duration of the project.**

UNDAF Outcomes and Outputs

Outcome 2.1. Improved people-centred economic policies and legislation contribute to inclusive, gender sensitive and diversified economic growth, with focus on increasing income security and decent work for women, youth and vulnerable populations.

Joint Programme Outcomes/Outputs

- **Outcome 1:**
Improved access to finance for MSMEs, especially women and youth-led agribusinesses, agro-industry & sustainable value chains and support services in underserved areas, through guarantees, information and capacity strengthening of local ecosystems
- **Output 1.1:**
Enhanced access to finance and investment for MSMEs agri-business enterprises and strengthening enabling conditions for sustainable agricultural value chains
- **Output 1.2:**
Facilitation of gender responsive financial market engagement with credit-worthy entrepreneurs
- **Outcome 2:**
Improved access to and use of renewable energy and water among agricultural MSMEs and selected value-chains through credit guarantee schemes, and grants to microfinance facility and other innovative finance mechanisms
- **Output 2.1:**
Expansion of access to and use of renewable energy sources
- **Output 2.2:**

Development of a localized pilot model to roll out a transformative solution to catalyze and integrate financing to promote water security

II. Assessment of Programme Results

- This section is the **most important in the Report** and particular attention should be given to reporting on **results / and changes** that have taken place rather than on activities. It has three parts to help capture this information in different ways (i. Narrative section; ii. Indicator based performance assessment; iii. Evaluation & Lessons learned; and iv. A specific story).

After submitting the Concept note for the SDG Fund as a response to the SDG Call (SDG Financing – Component 2) on March, 2020, we have received the approval for proceeding the preparation of a full-fledged Project Document and submitted by the end of November, 2020. For the preparatory of the PRODOC, \$200,000 USD have been received from the MPTF Office to do so. Unfortunately, the submitted PRODOC has received no opportunity of funding as the UNDP country office been notified by the SDG Fund and according to the evaluations summary of the proposal. The submitted proposal is attached (Annex-1). Furthermore, the progress towards developing the proposal and submit it is stated in below.

The JP has made significant progress in discussion with potential partners at federal and local levels with, among others, ministries of planning, agriculture, finance, women empowerment directorate, and the central bank. A series of consultative sessions have also been made with local NGOs, as well as with women and youth groups in the targeted peri-urban areas. However, due to COVID 19, most of the meetings have been virtual in nature. Technical meetings have been held weekly among the PUNOs (UNDP, IOM, UNICEF, and FAO) focused on technical and financial challenges, opportunities, and potential synergies.

Investigation and integration of the proposed JP have been a key point with other UN research studies on-going at the time (a major MSME study, a value chain study, an activity researching the Funding Facility for Economic Reform (FFER), and a Feasibility Study on Credit Guarantee Schemes) to ensure its success throughout the implementation phase. It was possible to coordinate and link to these parallel studies and obtain up-to-date documentation that is employed in the design.

The financial design has been established as a linkage to the existing credit guarantee scheme, central bank staff, more than 3 commercial banks currently developing programs and lending to MSMEs. Three “peri-urban” areas of Iraq were selected as models to prove the design, and then replicate results to other areas of Iraq.

i) Narrative reporting on results:

From January to December 2013, respond to the guiding questions, indicated below to provide a narrative summary of the results achieved. The aim here is to tell the **story of change** that your Programme has achieved over its entire duration. Make reference to the implementation mechanism utilized and key partnerships.

- **Outcomes:** Outcomes are the strategic, higher level of change that your Programme is aiming to contribute towards. Provide a summary of progress made by the Programme in relation to **planned outcomes from the Project Document / AWP**s, with reference to the relevant indicator(s) in these documents. Describe if final targets were achieved, or explain any variance in achieved versus planned results. Explain the overall contribution of the programme to the Strategy Planning Framework or other strategic documents as relevant, e.g.: MDGs, National Priorities, UNDAF

outcomes, etc . Explain who the main beneficiaries were. Highlight any institutional and/ or behavioural changes amongst beneficiaries at the outcome level.

- **Outputs:** Outputs are the more immediate results that your Programme is responsible for achieving. Report on the key outputs achieved over the duration of the Programme , in relation to **planned outputs from the Project Document / AWP**s, with reference to the relevant indicator(s) in these documents. Describe if final targets were achieved, or explain any variance in achieved versus planned results. If possible, include the number of beneficiaries. Report on how achieved outputs have contributed to the achievement of the outcomes and explain any variance in actual versus planned contributions to the outcomes.
- **Qualitative assessment:** Provide a qualitative assessment of the level of overall achievement of the Programme. Highlight key partnerships and explain how such relationships impacted on the achievement of results. Explain cross-cutting issues pertinent to the results being reported on. Has the funding provided by the MPTF/JP to the programme been catalytic in attracting funding or other resources from other donors? If so, please elaborate. For Joint Programmes, highlight how UN coordination has been affected in support of achievement of results.

This section is not applicable as briefly described earlier in the section “Assessment of Programme Results”

ii) Indicator Based Performance Assessment: **(Not Applicable)**

Using the **Programme Results Framework from the Project Document / AWP**s - provide details of the achievement of indicators at both the output and outcome level in the table below. Where it has not been possible to collect data on indicators, clear explanation should be given explaining why.

	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
Outcome 1⁹ Indicator: Baseline: Planned Target:			
Output 1.1 Indicator 1.1.1 Baseline: Planned Target:			
Indicator 1.1.2 Baseline: Planned Target:			
Output 1.2 Indicator 1.2.1 Baseline: Planned Target:			
Indicator 1.2.2 Baseline: Planned Target:			

⁹ Note: Outcomes, outputs, indicators and targets should be **as outlines in the Project Document** so that you report on your **actual achievements against planned targets**. Add rows as required for Outcome 2, 3 etc.

iii) Evaluation, Best Practices and Lessons Learned

- Report on any assessments, evaluations or studies undertaken relating to the programme and how they were used during implementation. Has there been a final project evaluation and what are the key findings? Provide reasons if no programme evaluation have been done yet?
- Explain challenges such as delays in programme implementation, and the nature of the constraints such as management arrangements, human resources etc. What actions were taken to mitigate these challenges? How did such challenges and actions impact on the overall achievement of results? Have any of the risks identified during the project design materialized or were there unidentified risks that came up?
- Report key lessons learned and best practices that would facilitate future programme design and implementation, including issues related to management arrangements, human resources, resources, etc. Please also include experiences of failure, which often are the richest source of lessons learned.

The private sector is dominated by micro, small, and medium-sized enterprises (MSMEs) which account for about 90% of private-sector employment. However, about 68% of the MSME total workforce is associated with informal (i.e., unregulated) activities, hindering their access to finance, constraining efficient operation, and limiting their potential role in job creation. The lack of access to finance is evidenced by MSMEs accounting for only 9% of all bank loans in Iraq in 2017, with only 2.7% of MSMEs having financed investment projects through bank loans. This is due in large part to commercial bank's lack of experience in assessing MSME creditworthiness, resulting in cumbersome costly, and time-consuming loan processing. A large portion of MSMEs in Iraq operates across three key sectors: agriculture, water, and energy. Each of these sectors, however, faces a range of threats and challenges, as outlined in the proposed JP to tackle during 2021-2023. Thus, liquidity to increase the bank portfolio of MSME lending from below 5% to 15% will require liquidity support from the central bank and donor agencies, including loans from development agencies (such as those of IFC) to banks for on-lending to MSMEs. A major transformational shift is required in Iraq, from centrally controlled to community-led local development where communities and local institutions collaborate and develop.

The proposed financial mechanism is built upon community-led local development. The proposed Guarantee Scheme is an excellent example of an innovative finance model that can be applied to improve agricultural value chains as well as improve access to energy and water. MSMEs can play a key role in delivering these improvements and in the process support the GoI's commitment to sustainable development and achievement of the SDGs. The proposed business model represents an innovative structure for promoting public-private partnerships, creating an enabling environment for scaling up sustainable development actions, and catalyzing private investment. Combining technical assistance capacity building programs with the Guarantee Scheme will serve the needs of both MSMEs and participating bank lenders. MSMEs will benefit from training on both the technical and financial aspects associated with activities in the water, energy, and agricultural sectors. Participating lending banks will benefit from the introduction of new streamlined approaches in the assessment of MSMEs that will reduce the time, cost, and effort associated with the process. Moreover, the introduction of effective Know Your Customer (KYC) techniques, onboarding processes, and loan assessment tools will provide a basis for banks to actively engage MSMEs around their products and services.

iv) A Specific Story (Optional)

- This could be a success or human story. It does not have to be a success story – often the most interesting and useful lessons learned are from experiences that have not worked. The point is to highlight a concrete example with a story that has been important to your Programme.

- In ¼ to ½ a page, provide details on a specific achievement or lesson learned of the Programme. Attachment of supporting documents, including photos with captions, news items etc, is strongly encouraged. The MPTF Office will select stories and photos to feature in the Consolidated Annual Report, the GATEWAY and the MPTF Office Newsletter.

Problem / Challenge faced: Describe the specific problem or challenge faced by the subject of your story (this could be a problem experienced by an individual, community or government).

The Iraqi economy is heavily dependent on government-controlled oil exports. The private sector contribution to GDP is low and the need for economic reforms is high. More than half of the wage earners work in the government sector, with 90% of the working women employed in the government sector. The private sector is dominated by micro, small, and medium sized enterprises (MSMEs) which accounts for about 90% of private sector employment. However, about 68% of the MSME total workforce is associated with informal (i.e., unregulated) activities, hindering their access to finance, constraining efficient operation, and limiting their potential role in job creation. Among female-owned MSMEs, the percentage of the workforce associated with informal activities is even higher, around 60%. Despite MSMEs contribution to 90% of private sector employment at the national level, their growth is highly constrained. This is primarily due to a lack of access to finance from prohibitive collateral requirements. Banks and financial institutions in Iraq are risk averse and have loan requirements that ensure they maintain minimal risk portfolios. Banks strictly require a) collateral that exceeds 150% of the loan, b) co-guarantors from persons in the public sector, and c) relatively high interest rates.

The lack of access to finance is evidenced by MSMEs accounting for only 9% of all bank loans in Iraq in 2017, with only 2.7% of MSME's having financed investment projects through bank loans. This is due in large part to commercial bank's lack of experience in assessing MSME creditworthiness, resulting in cumbersome costly, and time-consuming loan processing. According to the IFC Enterprise Finance Gap Database, the estimated financial gap for MSMEs in Iraq is currently at USD 69.85 billion, more than 10 times the MSME financial gap in neighboring Jordan where it is estimated at USD 6B3.

A large portion of MSMEs in Iraq operate across three key sectors: agriculture, water, and energy. Each of these sectors, however, faces a range of threats and challenges, as outlined in the bullets below.

- **Agricultural value chains.** While agriculture accounts for the second largest share of GDP, after oil, it is dominated by inefficient production systems that exhibit poor cash crop annual yields. It has estimated that most cash crop yields could be increased by as much as 50% through water supply and other improvements⁴.

- **Energy access.** While Iraq enjoys high public access to electricity (i.e., 99.9%)⁵, service is typically intermittent and unreliable. Moreover, electricity prices are highly subsidized, and any withdrawal of those subsidies could potentially lead to the collapse the system. Such challenges underlie the need for introducing renewable energy sources to meet future demand.

- **Water access.** National water demand significantly exceeds supply as evidenced by the fact that only 52% of Iraqis having secure access to reliable water services⁶. Limited water supply and inefficient distribution systems adversely affect agricultural value chains.

Due to their informal nature and lack of support programs, MSME owners operating in these sectors do so with limited managerial, technical, and more importantly, financial skills. Enhancing MSMEs access to finance is particularly important during the present time when

MSMEs are facing existential threats due to the impacts of the COVID-19 pandemic. Moreover, they have little access to capacity building programs, especially those focused on supporting start-ups, thus limiting their knowledge, expertise, and ability to access financing.

Programme Interventions: How was the problem or challenged addressed through the Programme interventions?

There have been several initiatives in recent years to address the persistent problem of lack of access to finance for MSMEs in Iraq. Among the most notable is the Central Bank of Iraq's 1Trillion/5Trillion Iraqi Dinars initiative, through which Iraqi banks provide loans to MSMEs with the aim of creating job opportunities and reviving the economy. The initiative includes 33 private banks and 1 government bank. Individual loans typically range from 5 to 50 million dinars (\$4,200 to \$42,000) and can reach 100 million dinars (\$84,000) upon approval by the Central Bank. Over the 2015-2018 period, loans to MSMEs totaled more than 73 billion dinars (\$61.3 million), distributed across the commercial sector (59%), services sector (25%), industrial sector (12%) and the agricultural sector (4%).

Other initiatives in place to enhance access to finance include the establishment of the Iraqi Company for Credit Guarantees (ICBG). The company was established in 2006 based on a United States Agency for International Development (USAID) grant of \$5M and an additional 5.4 billion dinars (\$4.5 million) in shareholder equity from 15 private banks in Iraq. The ICBG aims to de-risk loans to MSMEs by providing guarantees to participating lenders equivalent to 75% of the loan values. Over the period 2007-2019, a total of 15,941 guarantees were issued, equivalent to an accumulated portfolio of 275.7 billion dinars (\$231.6 million). Currently, the company's equity stands at 9.6 billion dinars (\$6.1 million) with outstanding credit guarantees totaling 40 billion dinars (\$33.6 million), near the maximum leverage of 5 times the equity amount as stipulated in company bylaws. ICBG is perusing additional funding from the donor community including USAID and the International Labour Organization (ILO) to increase its capacity to provide guarantees through private banks.

Another important MSME support initiative in recent years is capacity building. The International Organization for Migration (IOM) is actively providing business development services and training to MSMEs based on its livelihood assistance program and is planning to expand its range of technical support activities tailored to Iraqi MSMEs in partnership with the ILO. In addition, Gesellschaft für Internationale Zusammenarbeit (GIZ) in partnership with ICBG is in the final stages of developing a capacity building program for MSMEs with the aim of enhancing the creditworthiness of those companies. GIZ in partnership with the private sector has established several co-working spaces, innovation hubs and accelerators over the past 2 years to provide technical support services to MSMEs.

Access to energy is another MSME support initiative that has witnessed significant activity in recent years. The Government of Iraq has supported many solar-energy initiatives implemented by MSMEs including 409 solar powered water production plants (NDP 2018-22, 2015), 1 MW of solar-powered installations by the Ministry of Energy (MoE), solar PV units for 2,380 households with total capacity of 7MW, as well as planned investment opportunities in 755 MW of solar-powered plants (MoE, 2019). Furthermore, the private sector has succeeded in installing over 11 MW of solar panels in various sectors including household rooftop installations and agricultural farms. In addition, various UN agencies have developed initiatives in support of solar energy on both utility and distribution levels, such as the GEF project entitled "Catalyzing the Use of Solar PV Energy in Iraq" (GEF/UNDP, 2015-2019), and the project entitled "Supporting recovery and stability in Iraq through local development" (EU,

UNDP, UN-HABITAT).

Finally, most UN agencies working in Iraq have been active in supporting MSMEs in expanding access to solar energy and clean water. UNDP was an implementing partner for the project “Catalysing the Use of Solar Photovoltaic Energy” which focused on the installation of 5 MW of residential-scale PV generation capacity through the Bytti residential development in Najaf, Iraq. Another example is the UNICEF/UNDP joint proposal “Providing safe drinking water to Basra’s population,” presented to the Government of Netherlands in August 2020 and is in the process of funding review. In addition, UNICEF has worked extensively on supporting water utility departments in terms of water quality management and smart water metering, and IOM regularly implements rehabilitation and repair works on irrigation scheme infrastructure within their programs for community revitalization, such as the works done on the Qarna scheme pumping plant.

Result (if applicable): Describe the observable *change* that occurred so far as a result of the Programme interventions. For example, how did community lives change or how was the government better able to deal with the initial problem?

Not Applicable

Lessons Learned: What did you (and/or other partners) learn from this situation that has helped inform and/or improve Programme (or other) interventions?

Not Applicable